International Shoe Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

NOVEMBER 30, 1925

OFFICERS

Jackson Johnson	Chairman of the Board
F. C. Rand	President
H. W. Peters	Vice President
W. H. Moulton	Vice President
Horton Watkins	Vice President
J. T. Pettus	Vice President
C. D. P. Hamilton	Vice President
Theodore Moreno	Vice President
A. W. Johnson	Vice President
F. A. Sudholt	Treasurer
D. E. Woods	Secretary
B. A. Gray	Auditor
W. N. Sitton	Asst. Treasurer

DIRECTORS

B. A. Gray
H. R. Green
Fred Hume
H. S. Jamison
P. B. Jamison
H. E. Jenkins
A. W. Johnson
Jackson Johnson
Stanley King
T. Moreno
W. H. Moulton
E. H. Peters
H. W. Peters
J. T. Pettus
F. C. Rand
C. Reese, Jr.
W. L. Shaw
H. C. Stribling
F. A. Sudholt
S. M. Tipton
Griffin Watkins
Horton Watkins
D. E. Woods

St. Louis, Mo., December 29th, 1925.

To Our Stockholders:—

Financial report showing the results of the International Shoe Company's operations for the fiscal year ending November 30th, 1925, is enclosed herewith.

The Company's net sales to customers for the fiscal year ending November 30th, 1925, were $114,265,987.93, an increase of $4,025,336.66 in volume of shipments over 1924.

Our subsidiary plants (such as tanneries of sole leather and upper leather, carton and box factories, heel factories, chemical, rubber cement, etc.) produced during 1925, shoe materials and shoe supplies amounting to $52,568,846.83, which combined with our sales made an aggregate of $166,834,834.76 business transacted.

Net earnings (after taxes) for the fiscal year were $12,721,444.75.

Although our Goodwill, formerly carried on the books at $12,750,000.00, represents one of the most valuable assets of the Company—the amount being a comparatively small part of expenditures made for publicity and sound business expansion during the past twenty-five years—you will note that the entire amount has been written off, and while the Goodwill is constantly increasing in value, it was decided by your Directors to eliminate all intangible values from the Balance Sheet.

All of the Company's physical properties were appraised by the American Appraisal Company as of April 30th, 1925. These assets are stated in the Balance Sheet at the net sound values, which represent the reproduction values of all properties less accumulated depreciation approximating 25%.

In our last Annual Letter, you were notified of the purchase of the Mark Twain Rubber Tire Plant at Hannibal, Missouri, for making Rubber Heels, and of the purchase of the Sole Leather Tannery at North Wilkesboro, North Carolina; and you were also notified that a shoe factory was in course of construction at Perryville, Missouri. All these plants began operations during the year and are now running smoothly.

Last July, the factory owned by The Bluff City Shoe Company at Hannibal, Missouri, was purchased. This plant is now producing about 3,500 pairs per day additional shoes of the popular type that have been made for years in our Hannibal Factory.

At Wood River, Illinois, a tannery is being erected to produce finished splits for our own consumption.

A Sheep Skin Tannery established at the Thirteenth & Mullanphy Streets building, St. Louis, has been in operation for the past four or five months.

Additional productive capacity following increased volume of sales has enabled the Company to produce 47,209,831 pairs of shoes during the fiscal year 1925—by far the largest annual output of any company at any time.

Since the International Shoe Company was incorporated, a substantial portion of the earnings each year has been placed in the surplus account. During 1925 our cash surplus had grown to a point that warranted the retirement of the 178,000 outstanding shares of 8% Preferred Stock. On December 1st all of the 8% Preferred Stock was retired at its callable price—$115.00 per share; and in its place there were sold to our stockholders 100,000 shares of 6%

Preferred. This issue of 6% Preferred was over-subscribed by the stockholders of the Company. At no time has the Company ever offered any of its securities to the public; furthermore, the liquid condition of the Company and its ability to handle its finances on an exceptionally economical basis is shown by the fact that the entire amount of money necessary for the retirement of the 8% Preferred Stock was paid from funds of the Company, without the necessity of borrowing any money from any source.

The details of this change in the Company's capital structure follow:

Former 8% Cumulative Preferred Stock, 178,000 shares at par	$17,800,000.00
Premium thereon of $15.00 per share	2,670,000.00
Dividend due December 1, 1925 on 8% Preferred Stock	89,000.00
	20,559,000.00
Deduct new 6% Cumulative Preferred Stock issued—100,000 shares at par	10,000,000.00
Amount to be paid to stockholders in cash	10,559,000.00
Less amount paid to November 30, 1925	1,837,612.00
Amount appropriated from cash on hand November 30, 1925 to complete retirement of 8% Preferred Stock	$ 8,721,388.00

On December 1st your Directors felt warranted in voting an increase in the annual dividend on Common Stock from $5.00 to $6.00 per share. Commencing January 1st, 1926, the increased dividend will be paid quarterly at the rate of $1.50 per share. The retirement of the 8% Preferred Stock reduces the Preferred dividend requirements by $824,000.00 annually, approximately offsetting the increase in Common dividends.

The Company is gratified to close 1925 with an increase of more than Four Million Dollars in shipments and with an aggregate volume larger than in any previous year.

It is our belief that in the long run the Company will be benefited by increasing its distribution, even at the sacrifice of some immediate profits.

Taken as a whole, the Company has made progress during the year and we look forward with confidence to continued growth and prosperity for 1926.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY

Jackson Johnson

Chairman of Board.

Frank O. Rand

President.

INTERNATIONAL

GENERAL B

(After giving effect to retirement on December 1, 1925 of 8

As at Nove

ASSETS

Current Assets:		
Cash in Banks and On Hand November 30, 1925		$ 10,444,047.35
Less—Amount appropriated to complete retirement of 8% Preferred Stock		8,721,388.00
		1,722,659.35
Accounts Receivable:		
Customers, less Reserve for Discounts and Doubtful Accounts	$ 19,103,488.76	
Salesmen's Traveling Advances and Sundry Accounts	134,599.42	
Notes Receivable	103,226.00	19,341,314.18
Inventories:		
Manufactured Merchandise	11,517,324.93	
Raw Materials, Merchandise in Process and Supplies	18,174,789.01	29,692,113.94
Total Current Assets		50,756,087.47
Expenses Paid in Advance—Insurance, Premiums, Taxes and Other Deferred Charges to Operations		258,003.23
Investments in Stocks and Bonds of Other Companies		260,329.68
Physical Properties at Tanneries, Shoe Factories, Supply Departments and Sales Branches (Based on appraisal of American Appraisal Company, April 30, 1925):		
Land and Water Rights	1,624,297.38	
Buildings and Structures	18,770,849.02	
Machinery and Equipment	13,794,615.44	
Lasts, Patterns and Dies	1.00	
Total	34,189,762.84	
Less—Reserve for Depreciation	8,969,690.77	
Net Depreciated Sound Value of Physical Properties		25,220,072.07
Total		$ 76,494,492.45

SHOE COMPANY

ANCE SHEET

% Preferred Stock and issuance of new 6% Preferred Stock)

ber 30, 1925

LIABILITIES

Current Liabilities:

Accounts Payable for Merchandise, Expenses and Payrolls		$ 3,293,331.47
Officers and Employees Balances and Deposits		775,024.45
Total		4,068,355.92
Reserve for Income and other Taxes		2,250,000.00
Total Current Liabilities		6,318,355.92

Capital Stock:

Preferred 6% Cumulative:		
Authorized—250,000 shares of $100 each, whereof outstanding 100,000 shares	$ 10,000,000.00	
Common Stock:		
Authorized—1,400,000 shares without nominal or par value, whereof issued and outstanding 920,000 shares	60,176,136.53	
Total Capital Stock		70,176,136.53

Notes Payable Outstanding—None.
Contingent Liabilities—None.

Total	$ 76,494,492.45

INTERNATIONAL SHOE COMPANY

INCOME ACCOUNT

For the year ended November 30, 1925

Net Sales of Shoes and Other Manufactured Merchandise, after deducting Returns and Allowances for Prepayments	$114,265,987.93
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Depreciation ($1,022,557.84) and Maintenance of Physical Properties; Selling, Administrative and Warehouse Expenses and Credit Losses;—Less Discounts on Purchases and Other Miscellaneous Earnings	99,671,577.58
Interest Charges on Notes Payable	Nil
NET EARNINGS	14,594,410.35
Provision for Income Taxes	1,872,965.60
NET INCOME FOR YEAR	$ 12,721,444.75

COMMON STOCK CAPITAL ACCOUNT

(After giving effect to Retirement of 8% Preferred Stock)

Net Income for year ended November 30, 1925		$ 12,721,444.75
Deduct Dividends Paid:		
Preferred Stock—$8.00 per Share	$ 1,424,000.00	
Common Stock—$5.00 per Share	4,600,000.00	6,024,000.00
Excess of Net Income over Dividends		6,697,444.75
Equity of Common Stockholders at November 30, 1924 against which 920,000 shares without nominal or par value were outstanding		56,417,748.29
		63,115,193.04
Deduct:		
Premium paid on 8% Preferred Stock retired	2,670,000.00	
Goodwill written off	12,750,000.00	
	15,420,000.00	
Less—Adjustment of Physical Properties to accord with Appraised Sound Values	12,480,943.49	2,939,056.51
Equity of Common Stockholders (920,000 Shares) at December 1, 1925		$ 60,176,136.53

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS

CERTIFICATE OF AUDITORS

ST. LOUIS, MO., December 23, 1925.

We have audited the books and accounts of the International Shoe Company for the year ended November 30, 1925, and certify that the accompanying Balance Sheet and Income Account have been prepared therefrom and, in our opinion, correctly present the financial position of the Company at November 30, 1925 (after giving effect to the retirement, on December 1, 1925, of 178,000 shares of 8% Cumulative Preferred Stock and the issuance of 100,000 shares of 6% Cumulative Preferred Stock), and the results of its operations for the year ended on that date.

The cash and bank balances and securities owned have been verified by count or inspection or by certificates obtained from the depositories. We have satisfied ourselves that adequate provision has been made for doubtful accounts and notes receivable.

The quantities and valuation of the inventories of manufactured merchandise, raw materials, and supplies, prepared by the Company, have been certified to be correct by responsible officials. We have satisfied ourselves that the valuation was made on the basis of cost or market price, whichever was the lower.

All ascertained liabilities have been included in the accounts.

The physical properties are stated in accordance with the sound value thereof as determined by the American Appraisal Company as at April 30, 1925, plus subsequent additions at cost and after deduction of depreciation. Adequate charges against operations of the year under review have been made in respect of depreciation and maintenance of physical properties.

PEAT, MARWICK, MITCHELL & CO.

SALES BRANCHES

St. Louis

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Shoe Specialty Manfg. Co.
Continental Shoemakers

New York

Morse & Rogers

Boston

Hutchinson-Winch

Manchester, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOE FACTORIES AND SUPPLY DEPARTMENTS

Missouri

St. Louis
- Hickory St. & Mississippi Ave.
- Broadway, Cherokee St. & Lemp Ave.
- St. Louis & Jefferson Aves.
- Thirteenth & Mullanphy Sts.
- Twelfth & North Market Sts.
- Jefferson Ave. & Madison St.
- Glasgow Ave. & North Market St.
- 3417 Locust St.
- 1324 Washington Ave.

Bland
Cape Girardeau
Chamois
De Soto
Hannibal
- Seventh & Collier Sts.
- Maple Ave. & Collier St.

Hermann
Higginsville
Jackson
Jefferson City
- Bolivar & McCarty Sts.
- Main & Linn Sts.

Kirksville
Marshall
Mexico
New Haven
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington

Illinois

Alton
Belleville
Chester
Flora
Jerseyville
Mt. Vernon
Olney
Pittsfield
Springfield
Steeleville

New Hampshire

Claremont
Keene
Manchester
- Central Plant
- Cohas Factory
- Eastside Factory
- Derryfield Factory

Merrimack
Nashua
Newport
Suncook

Kentucky

Paducah

TANNERIES

Illinois

South Wood River

Missouri

St. Louis
- Thirteenth & Mullanphy Sts.

New Hampshire

Manchester

North Carolina

Morganton
North Wilkesboro

Pennsylvania

Mt. Jewett
St. Marys